



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

MA Benefits and Administration Re-estimates

	FY 04		FY 05	
	GPR	All Funds	GPR	All Funds
MA Expenditures	\$158,542,100	\$359,203,400	\$316,817,200	\$487,254,400

Description of Proposal

- Funds projected costs for Medicaid (MA) benefits and administration taking into account changes in recipient caseloads, utilization of benefits, increased administrative contract requirements and inflation in certain administrative services.
- These re-estimates project costs in the absence of policy changes. The MA Benefits re-estimate also does not include provider rate increases.

Background

- MA supports the costs of providing primary acute and long-term care to low-income persons who are aged, blind, disabled, children, members of families with dependent children and pregnant women who meet specified financial and non-financial criteria.
- MA costs are financed jointly by the state and federal government. In FY 03, Wisconsin's federal funding rate for MA benefits is 58.465%. Administrative costs are generally funded 50% with federal funding; however for some costs the federal share is higher.
- The FY 03 budgeted amount for MA benefits is \$3,630,845,900 AF (\$1,116,626,900 GPR). The FY 03 budgeted amount for MA administration is \$158,976,300 AF (\$58,509,300 GPR). MA administration funding includes funding for MA, BadgerCare and SeniorCare.
- The MA benefit re-estimate requests \$155,890,100 GPR (\$349,067,600 AF) in FY 04 and \$313,157,000 GPR (\$474,424,400 AF) in FY 05. Total MA benefit expenditures are projected to be \$3,979,848,200 AF (\$1,272,442,700 GPR) in FY 04 and \$4,105,205,000 AF (\$1,429,709,600 GPR) in FY 05.
- The MA administrative re-estimate requests \$2,652,000 GPR (\$10,135,800 AF) in FY 04 and \$3,660,200 GPR (\$12,830,000 AF) in FY 05.
- MA caseload has significantly increased in the past two years. In each of the past two years, the number of individuals eligible for MA increased approximately 10%, from 416,786 individuals in January 2001 to 463,443 individuals in January 2002, and to 510,363 in January 2003 (excluding enrollees under the new Family Planning Waiver). Recent caseload increases appear to be due to the sluggish economy. Actual and projected caseload is:

Average Monthly Caseload by Eligibility Group						
	Actual			Projected		
Eligibility Group	FY 01	FY 02	Jan 2003	FY 03	FY 04	FY 05
Aged	44,108	43,632	42,880	43,633	43,921	44,344
Blind/Disabled	97,689	99,164	102,650	102,007	103,964	105,403
Low-income Families	146,396	173,442	209,542	208,703	213,069	210,526
Other	133,229	148,694	155,291	156,589	167,145	175,563
Total	421,422	464,933	510,363	510,932	528,100	535,836
change	21,349	43,511		45,999	17,168	7,736
% change	5.3%	10.3%		9.9%	3.4%	1.5%

- Utilization of services (intensity) has also increased. Intensity reflects the extent to which recipients utilize more or less services and to which more or less costly services are delivered. Actual and projected intensity percent changes for the highest cost MA services are:

Intensity Growth					
	Actual		Projected		
Services	FY 01	FY 02	FY 03	FY 04	FY 05
Drugs	9.24%	13.52%	13.12%	13.10%	13.10%
Hospitals	3.31%	5.84%	2.43%	3.43%	3.31%
Personal Care	37.30%	4.97%	9.79%	10.01%	9.09%
Physicians & Clinics	7.85%	5.21%	6.03%	5.27%	4.63%

- The MA administrative re-estimate covers:
 - The Medicaid fiscal intermediary (fiscal agent) contract, which is required under federal law,
 - Costs related to CARES which is the automated eligibility system local agencies use to determine eligibility,
 - Smaller contracts with other vendors, and
 - Full funding for SeniorCare administration.
- DHFS and the Department of Workforce Development (DWD) share costs for the CARES system. The two departments contract with a CARES maintenance vendor, currently Deloitte Consulting, to maintain and enhance CARES.
- Administrative costs reflect the needs for the Department's three programs: MA, BadgerCare and SeniorCare. Enrollment for these programs is projected to increase from 724,149 in FY 03 (June fiscal year-end) to 748,026 in FY 04 and 764,839 in FY 05.
- SeniorCare administrative costs are not fully funded in FY 03.

Rationale for Proposal

- Current law specifies the required services and the individuals entitled to coverage under Medicaid. This proposal requests funding to meet the projected costs of providing the specified services to individuals entitled to them.
- MA caseload has grown significantly over recent years. Because of this growth, MA caseload will be significantly higher at the start of the 03-05 biennium than in previous biennia. Although caseload growth is projected to decrease in 03-05, the higher starting point is responsible for large caseload cost increases in FY 04 and FY 05. Projected MA

benefit costs associated with increased caseload are \$103,877,100 AF (\$42,718,700 GPR) in FY 04 and \$81,990,100 AF (\$33,619,000 GPR) in FY 05.

- As with health care in general, costs are expected to continue to increase. A significant part of the cost increase in MA is due to the cost of prescription drugs. MA drug costs are projected to have the largest total cost growth with a projected increase of \$64,200,700 AF (\$26,697,900 GPR) in FY 04 and \$73,334,300 AF (\$30,499,700 GPR). These increases are typical of the recent trend in drug costs.
- Intensity (utilization and cost) and caseload growth also affect the cost of MA managed care programs. In order to maintain HMO participation in MA, managed care rates must be adjusted to reflect intensity and caseload increases. Managed care reduces costs of serving MA recipients since services are paid at a discounted rate compared to fee-for-service. Due to intensity and caseload growth, MA managed care costs, including Family Care, are projected to increase \$88,304,700 AF (\$36,721,500 GPR) in FY 04 and \$71,966,800 AF (\$29,930,500 GPR) in FY 05.
- Caseload increases in MA, as well as in other public assistance programs administered by the Department, can increase MA Administration expenses. Administrative costs for operating CARES are allocated among the programs it serves: MA, BadgerCare, SSI Caretaker Supplement, Family Care, Senior Care, Food Stamps, W-2 and ChildCare. The allocation is based on the number of recipients in each program. Caseload for Department administered programs has increased at a rate higher than those programs administered by DWD, due in part to several new programs authorized in past legislation such as Senior Care and Family Planning Waiver.
- Additional funding is requested in the MA Administrative Contracts appropriation to cover the full cost of contracted services and a contractually required rate increase for fiscal agent services.
- Funds for fiscal agent services comprise the largest portion of funding in the MA administrative contracts appropriation. The Department's 2002-2005 fiscal agent contract requires an annual rate increase beginning January 1, 2003. The MA Administrative Contracts appropriation also covers other contracts for which base funding has been less than actual expenditures in FY 02 and prior years. This proposal requests full funding for these contracts.
- SeniorCare administrative costs are not fully funded in FY 03. This proposal requests full funding for these costs.